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SUBJECT: MEDVEDEV'S STATE OF RUSSIA SPEECH - FIRST
IMPRESSIONS

Classified By: Ambassador John Beyrle. Reason: 1.4 (d).

11. (SBU) Summary. Medvedev's first address to the legislature on November 5 combined hard-hitting Putinesque criticism of the U.S. role in Georgia and European missile defense, with a raft of domestic reforms, including electoral changes to "strengthen Russian democracy" and a renewed call for a less corrupt, more progressive, and economically advanced society. He announced three measures to answer U.S. missile defense in Central Europe -- canceling plans to remove three missile regiments from active duty, the deployment of Iskander missiles to Kaliningrad, and the establishment of an electronic counter-measures station there. He blamed the U.S. for the financial turmoil and reiterated his call for radical changes to the global financial order, including his proposal to have the ruble serve as a reserve currency in the CIS and to establish Moscow as a world financial center. On the domestic front, Medvedev outlined a mixed bag of electoral changes, including proposals to establish a 6-year presidential and 5-year Duma terms, to lower the bar for some limited participation of smaller political parties, and to allow local assemblies to remove elected mayors. End Summary.

Atmospherics

12. (SBU) Medvedev gave his first constitutionally mandated address to the Federal Assembly (a joint session of the Duma and Federation Council) at noon on November 5 in the Georgian Hall of the Great Kremlin Palace. Press coverage gave prominence to Premier Putin, sitting in the front row flanked by Federation Council Speaker Sergey Mironov and Duma Speaker Boris Gryzlov, but also showed Patriarch Alexei II and prominent government ministers. Representatives from Russia's other major religions were present, as were judges, law enforcement officials, and more than 300 journalists.

13. (SBU) The speech had been postponed twice in recent weeks before the November 5 date was selected, leading to speculation about disagreement within the Kremlin about the proper substance or timing. Several of our contacts argued that decision to give the speech on the day in which the U.S. presidential election would be the top news story was intentional, since Medvedev's team did not want too much international attention paid to the president's comments. Indeed, the belligerent tone, assurances of Russia's economic stability and committed democratic path suggest a goal of reasserting the tandem's message to a domestic audience of an embattled Russia promoting a more fair international order.

A Lawyer Sees A Collapsing World Order

14. (SBU) Showing his legal background, Medvedev focused on what he sees as systemic flaws in the global legal order that he apparently believes can be resolved by the implementation of new "legislation" -- an international extension of his

approach to fixing Russia's domestic shortcomings. His speech depicted a world in which the existing political and economic order had collapsed, requiring Russia to take an assertive role in establishing a new system. He led off with the familiar argument that the Georgia war demonstrated the failure of existing European security structures and lamented the "double standards" that he saw applied toward Kosovo on one hand and the break-away Georgian separatist regions on the other. To foil further activities, he demanded the establishment of "mechanisms to block the mistaken, egoistic, and sometimes plain dangerous decisions of some members of the world community."

¶5. (SBU) Similarly, he described the international financial system as in collapse, with Russia and other countries suffering because of short-sighted policies in the U.S. He stated that Russia sought integration with the world economy, but not at the cost of its own economic interests. He touched on Russia's plan to push for a new global economic structure at the G-20 meeting on 15 November, which would include new risk assessment methods, universal accounting standards, and creating a system that "did not favor one nation." Medvedev promised that legislation would be introduced in the near future that would serve to make Russia a financial center and the ruble a reserve currency. A part of this plan would involve denominating oil and gas sales in rubles.

Spears and the Olive Branch

¶6. (SBU) Medvedev accused the U.S. of using the Georgia conflict to justify the dispatch of NATO warships to the Black Sea and the implementation of missile defense plans.

To respond to the latter, he said that Russia will cancel plans to take three regiments in the Kotelsk missile division off combat duty. He added that Russia could deploy Iskander missiles in the Baltic enclave of Kaliningrad and announced a new electronic countermeasures base to be established there as well.

¶7. (SBU) He took care, however, to underscore that Russia has no complaint with the "American people" and he denied any anti-American prejudices. He expressed his hope that the "new administration" would make the choice toward full-fledged relations with Russia.

More Democracy, Russian Style

¶8. (SBU) Turning to domestic issues, Medvedev likewise outlined a legislative agenda to rid Russia of the ills of corruption, strengthen institutions, and to deepen what described as Russia's democratic path. Perhaps most unexpected were his proposals for changing aspects of electoral law. He called for a "correction" to the constitution that would extend the presidential term of office from 4 to 6 years and allow Duma delegates to serve a 5 year term -- ostensibly so that future presidential and Duma elections would not occur at the same time.

¶9. (SBU) He made other proposals for electoral changes that would appear to permit greater plurality, but on closer examination show a tendency to strengthen the administration's vertical of power. On the positive side, he admitted that Russia's current electoral system denies representation for those who voted for smaller parties, unable to hurdle the 7 percent threshold. To remedy that injustice, he recommended that parties receiving 5 to 7 percent of the vote in Duma elections be guaranteed a seat or two -- but not to change the threshold. He also advocated changing the burdens of registering a party to run in an election, including the removal of financial collateral for registering in an election, reducing the number of members a party must have to be registered, and opening discussions about lowering the number of signatures required to get a candidate on the ballot.

¶10. (SBU) Other electoral changes appear designed to strengthen the Kremlin's control over the political system:

- A proposal to mandate political parties to rotate their leadership, setting fixed terms for any politician to hold a leadership position, would cripple those parties based on the personality of the party leader.
- Medvedev's plan to give local assemblies the right to remove the democratically-elected mayors who fail to meet expectations would give a powerful weapon to regional and federal authorities in their campaign to rein in local politics. Essentially, this could provide a back door to controlling municipal politics without changing the constitutional stipulation that local leaders be elected directly.

¶11. (SBU) Two proposals seem designed to constrict regional leaders' room to maneuver on cadres issues. Medvedev's plan to limit membership in the Federation Council to members of the legislature, either at the federal or regional level, could be considered as another limitation on the regional governor's ability to select their representatives in Moscow. Moreover, a recommendation that only the "majority party" in regional elections -- today, exclusively United Russia -- be permitted to recommend candidates for governor to the President would further limit the range of choices for regional leadership.

Nothing New, Economically Speaking

¶12. (SBU) Medvedev said little new on the economic front, reiterating most of the points he made in his February 2008 Krasnoyarsk speech in which he introduced the four "I's" and called for ending corruption and legal nihilism. He reaffirmed Russia's commitment to the 2020 economic development plan and Russia's need to diversify, highlighting that it would depend on putting "people at the center". He reminded his audience that economic growth was needed to improve Russia's education, health, and pension systems.

¶13. (SBU) Although there was a degree of speculation beforehand as to how much time Medvedev would devote to Russia's handling of the financial crisis, in the event, he merely asserted that it had been handled with Russia's reserves and that the banks had been supported. He further promised that the funds would not be diverted from the real economy, that the crisis would not derail intended reforms, and that the GOR would fulfill all pension and other social obligations.

Comment

¶14. (C) Medvedev faced constitutional requirements to deliver his "state of the Federation" address before the end of the year, but his administration appeared reluctant to have Medvedev take the stage, particularly as the uncertainty of the financial crisis created risks for a more targeted speech. His hawkish tone and penchant for blaming outsiders -- particularly the U.S. -- for Russia's problems follows the script that he and Putin have been reading since August and before, as did his continued indignation about the Georgia conflict. In a discussion with the Ambassador just before the speech, Medvedev economic adviser Arkadiy Dvorkovich (protect) warned ruefully that there would be language in the speech that "you won't like." While he acknowledged that the advent of a Presidential transition in Washington was not an ideal time for sharp anti-U.S. rhetoric, he said that Medvedev "is his own self-made man" and was definitely not uncomfortable with the hard line. End Comment.

BEYRLE